

# The Effect of the Application of Government Accounting Standards, Regional Financial Accounting Systems and Internal Control on the Quality of Financial Statements with Organizational Commitment as a Moderating Variable in South Tapanuli Regency

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## ABSTRACT

This study aims to analyze the effect of the application of government accounting standards, regional financial accounting systems and internal control on the quality of financial statements with organizational commitment as a moderating variable in South Tapanuli Regency. The research was conducted in 2019, using SPSS software with quantitative methods. The result is that government accounting standards, regional financial accounting systems and internal control have a significant effect on the disclosure of the quality of financial statements simultaneously, and partially government accounting standards, have a significant effect on the quality of financial statements, while regional financial accounting systems and internal control have no significant effect on quality of financial statements. Organizational commitment is not able to moderate government accounting standards, regional financial accounting systems and internal control over the quality of financial statements.

**Keywords:** Government Accounting Standards, Regional Financial Accounting Systems, Internal Control, Quality of Financial Statements, Organizational Commitment

## INTRODUCTION

Putting together quality financial statements is a must for local governments. The quality of the regional government's financial statements reflects the orderly financial management of local governments, which include administrative orderly principles. The quality of information in government financial statements is influenced by adherence to accounting standards and supported by a reliable accounting system (Andini & Yusrawati, 2015).

Zeyn (2011) states that the application of SAP by local governments will produce quality financial statements and contain useful information. The Government was gradually fixing the accounting system, starting from the single entry system to double entry. The accounting base used also has undergone a change that starts from cash-based accounting to accrual-based accounting. This accounting system change is expected to make the regional financial information system can be further improved the level of accuracy and transparency.

The government accounting standard (SAP) that affects the information

of the local government's financial statements is the regional financial accounting system. The regional financial accounting system (SAKD) is a series of procedures ranging from data collection, recording, advising to financial reporting in order to account for the implementation of the district spending budget (APBD). Financial statements that are ensured by transparency and public accountability are required by the regional financial accounting system (Welly & Nova, 2017).

The government as the main perpetrator of good governance is required to give a more transparent and more accurate accountability. Improving the performance of the public sector is not merely a technical problem, but the public sector as a tool to create good public and corporate governance has a very vital role and the initial (Mardiasmo, 2009). The creation of clean governance raises local government awareness in account of the management of regional finances with the support of high organizational commitments ranging from budgeting to the preparation of financial statements that are in the form of government accounting standards as an implementation of local government's financial accountability for public resource management activities.

The phenomenon that occurs in the preparation and presentation of the regional financial statements, namely the preparation and presentation of financial statements compiled by the financial statements drafting team at the administration of regional device organization (OPD) has not fully understood and understood to implement the preparation of financial statements, this is because generally the team has no accounting disciplines and is not derived from accounting education, so it will be difficult to compile financial statements in accordance with the guidelines of regional financial management and government accounting standards (SAP).

The review of financial statements of the Government of South Tapanuli

district also shows that there is still a regional device organisation (OPD) in the government of Tapanuli Selatanyang Regency has not been able to fully complete the preparation of financial statements in accordance with the stipulated schedule that is no later than 2 (two) months after the fiscal year ended, ie in February each year. Timeliness in the delivery of the financial statements of the work unit level is influenced by several factors, both in the drafting process to convey it such as human resources, supporting facilities, team organization, rules of law including the imposition of delay sanctions. From 2014 to 2018 South Tapanuli District government gained a WTP opinion (no exceptions), it is stated that reporting on the quality of financial statements has been improved, but nevertheless still indicative of funds fraud. This proved to be a lot of government officials who were caught corruption cases. The Council of judges of the Medan District Court sentenced the head of the Department of Cooperatives, industry and trade to South Tapanuli because of corruption cases that resulted in state losses of Rp278.000.000-, on 7 January 2019. The same is the case for the budget user power which causes the state loss of Rp600 million-,. This indicates that despite the opinions given by BPK to financial reporting, it does not discourage officials from committing corruption to existing budgets.

## **LITERATURE REVIEW**

### **2.1 Decision-Usefulness Theory**

Kiswara (2011) stated the decision-usefulness theory of accounting information to be a reference to the conceptual framework of financial accounting standard boards (FASB), which is the statement of financial accounting concepts (SFAC) in the United States. In the early stages, this theory is known by another name of a theory of accounting to investors. In addition to FASB, there is a body equivalent to FASB namely GASB.

GASB is responsible for establishing accounting standards for the activities and transactions of the central and local governments, while FASB compiles accounting standards for all other organisations including non-governmental and non-profit organisations.

## **2.2 Contingency Theory**

The contingency theory states that there is no design and use of management control systems that can be effectively applied to all organizations, but a certain control system is only effective for certain organizational or governmental situations (Outley, 1980). The contingency theory is based on a thought that organizational management can run well and smoothly when organizational leaders are able to pay attention to and solve certain situations at hand and each situation must be analyzed on their own.

## **2.3 Quality of Regional Government Financial Report (LKPD)**

A financial statement is a record of an entity's information in an accounting period that can be used to describe the performance of that entity. Financial statements are structured reports on the financial position and transactions made by a reporting entity. Financial statements can be said as data can also be said as information. Bastian (2005) mentions the regional government's financial statements are part of the financial reporting process in the local government that presents structured financial position of the transactions carried out by a local government entity. The regional government's financial statements (LKPD) are principally the consolidated or consolidated results of the OPD financial statements.

## **2.4 Application of Government Accounting Standards**

The government accounting standard (SAP) is the accounting principle applied in drafting and presenting the

government's financial statements. Thus SAP is a requirement that has a legal force in the effort to improve the quality of the Indonesian Government's financial report (Pujanira, 2017).

One of the concrete efforts to realize the transparency and accountability of financial management of the country/region is the submission of a report of government financial accountability that has been generally accepted. It is governed by Law No. 17 Year 2003 concerning state finances which require the form and content of the implementation of the accounting report of the APBN/APBD drafted and presented in accordance with the government-imposed standards of accountability with government regulations.

## **2.5 Regional Financial Accounting Systems**

Accounting definition as expressed by accounting principle board (APB) which view accounting from the point of function in accounting is a service activity. Its function is to provide quantitative information, especially those of financial nature, about economic entities that are intended to be useful in making economic decisions to make logical choices among a variety of action alternatives. Accounting includes several branches, among other financial accounting, management accounting and government accounting.

## **2.6 Internal Control System**

Internal control system According to government Law No. 60 Year 2008 is an integral process of actions and activities carried out continuously by the leadership and all employees to give adequate confidence for the achievement of organizational objectives through effective and efficient activities, reliability of financial reporting, safeguarding of state assets, and adherence to statutory regulations.

## **2.7 Organizational Commitment**

The organizational commitment is the attitude of employees who are attracted to the objectives, values and objectives of the organization that is demonstrated by the presence of individual acceptance of the value and objectives of the organization and have the desire to be affiliated with the organization and willingness to work hard for the organization so as to make the individuals feel at home and still want to stay in the organization to achieve The organizational commitments are revealed with the scale of the organizational commitments (Sumarni, 2016). The aspect of commitment is revealed through the aspects posed, namely: (1) acceptance of the value and objectives of the Organization (2) willingness to strive for organization and (3) have a desire to be affiliated with the organization.

## **RESEARCH METHODS**

This research is classified as causal research. Causative research is a type of research to analyse the influence of multiple variables against other variables.

The type of data used in this study is primary data. The primary data obtained by researchers directly from the respondent is the person related to financial reporting in the government environment of South Tapanuli District through the dissemination of the questionnaire.

The population is the whole object to be examined in a study. Sugiyono (2016:61) states that the population is a generalized area consisting of objects and subjects that have specific quantities and characteristics set by researchers to be studied and withdrawn in conclusion. Based on the regulation of the regent of South Tapanuli number 84 year 2016 about the position, organizational structure, duties and functions, and the work of regional device of South Tapanuli District is 44 (forty four) of OPD consisting of district Secretariat, Secretariat of Council, Inspectorate, Satpol PP, 21 (twenty-one) Dinas, 5 (five) Agency and 14 (fourteen)

Kecamatan The population in this research is the Financial Administration Office (PPK OPD) and the withdrawal treasurer of OPD from 44 OPD in South Tapanuli district. Sampling in this study used the census method so that the number of samples as much as 2 x 44 OPD was 88 respondents.

This research uses SPSS software to determine the results of multiple linear regression analyses. Regression analysis is one of the most frequently used methods in the field of financial research due to its simplicity (Gujarati, 2006).

In this study used SPSS Software version 23 to predict the relationship between independent variables and dependent variables. The relationship between the F-Score and the indicators of the independent variables was tested by using the model according to research.

## **RESULT**

### **Test Results of Hypotheses I**

Hypothesis testing in this study using determination coefficient (adjusted  $R^2$ ), simultaneous test (F-Test), partial test (t-test) and moderating test (interaction test). The result of a regression equation of the hypothesis I in this study to determine the influence of government accounting standards, the regional financial accounting systems, internal control of the quality of financial statements in South Tapanuli Regency.

### **Test Result of Coefficient Determination**

The magnitude of the value of r square is 0.279 or at 27.9%, independent variables i.e. government accounting standards, regional financial accounting systems and internal control are able to explain the quality of financial statements while the remainder of 72.1% are influenced or explained by other variables not included in this study.

### **Partial Test Result (Test t)**

Statistical tests essentially show how far an independent variable can

partially explain the variation of the dependent variable.

The results of a partial test obtained the significance value of the government accounting standards of 0.002, the regional financial accounting systems of 0.293, and internal control of 0.645, so that it can be concluded that only the standard variables of government accounting have a significant effect on the quality of financial statements, while other variables do not significantly affect.

$$Y = 13.529 + 0.263X_1 + 0.113X_2 - 0.60 X_3$$

Based on the results of multiple regression equations then the influence of each of these independent variables for the quality disclosure of financial statements can be interpreted that the code of government accounting standards provides a value of 0.263 which means that the better the government accounting system then the quality of financial statements will be increased by 26.3%, coefficient standard regional financial accounting provides a value of 0.113 which means that the better the standard of financial accounting of the area then the quality of financial statements will be increased by 11.3%. The internal control coefficient provides a value of -0.60 which means that the better the internal

control then the quality of financial statements will decrease by -6.0%.

### Simultaneous Test Result (Test F)

The F test essentially aims to indicate whether all the free variables present in the study have a simultaneous influence on the bound variables. F test results can be seen in the appendix. Based on the F test results It can be noted that the significance value is  $0.000 < 0.05$ . These results indicate that all independent variables simultaneously have significant effect on the dependent variables.

### Test Results of Moderating Test (Test MRA)

The moderating variables are the variables that affect (strengthen and weaken) the relationship between the independent and dependent variables (Sugiono, 2016). The moderating variables (z) in this study are organizational commitments. The Moderating test was conducted to determine the influence of government accounting standards, regional financial accounting systems, and internal control of the quality of financial statements with the commitment of the organization as a moderating variable using interaction tests or MRA.

**Table 1. Results of Moderating Test**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	14.055	4.051		3.469	.001
X <sub>1</sub>	-.781	.704	-1.349	-1.109	.271
X <sub>2</sub>	1.716	.905	2.357	1.896	.062
X <sub>3</sub>	-.786	1.062	-.845	-.740	.462
X <sub>1</sub> Z	.043	.030	3.518	1.447	.152
X <sub>2</sub> Z	-.063	.035	-4.436	-1.795	.077
X <sub>3</sub> Z	.025	.042	1.350	.590	.557

Processed data results in Table 1 indicate that the values of X<sub>1</sub>Z, X<sub>2</sub>Z, X<sub>3</sub>Z are at 0.152, 0.077, and 0.557. Where the value is > significant value (0.05). This indicates that the organizational commitment variables are unable to moderate the relationship between the government accounting standards, regional financial accounting systems, and internal

control of the quality of financial statements.

### CONCLUSION AND SUGGESTION

The result is that government accounting standards, regional financial accounting systems and internal control have a significant effect on the disclosure of the quality of financial statements simultaneously, and partially government

accounting standards, have a significant effect on the quality of financial statements, while regional financial accounting systems and internal control have no significant effect on quality of financial statements. Organizational commitment is not able to moderate government accounting standards, regional financial accounting systems and internal control over the quality of financial statements.

Based on the limitations of the research, the following suggestions for research are as follows:

1. For subsequent studies, it is expected to observe the research object so that the results of the research are more accurate.
2. Research needs to be developed again to get better result by adding other variables that affect the quality of financial statements.

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